



Idaho Public Utilities Commission

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Paul Kjellander, Commissioner
Mack A. Redford, Commissioner
Marsha H. Smith, Commissioner

Case Nos. IPC-E-14-32, -33, -34;-35; and -36.

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Commission approves Idaho Power agreements with five solar projects

BOISE (Dec. 29, 2014) – The Idaho Public Utilities Commission is approving Idaho Power Company sales agreements with five solar projects owned by Boston-based First Wind. The contracts, totaling about \$322.5 million over 20 years, are for a total 100 megawatts, 20 MWs for each project.

The commission has yet to rule on another six solar projects totaling about 181 MW. Last month, the commission approved applications from two other solar projects, Boise City Solar and Grand View Solar II, totaling 120 MW. Idaho Power also recently signed six contracts for 60 MW of solar generation in Oregon.

While stating that the projects qualify under federal PURPA provisions, the commission's order expresses concern that the federal law may be compelling utilities to buy energy they do not need. The order states that utilities should inform the commission as to whether additional review of contract terms and conditions for federal PURPA projects is necessary.

PURPA requires regulated utilities to buy energy from independent, renewable generation projects at rates established by state commissions. The rate to be paid small-power producers is called an "avoided-cost rate," because it is based on the cost the utility avoids by not having to generate the energy itself or buy it from another source. The commission must ensure the avoided-cost rate is reasonable for utility customers because 100 percent of the price utilities pay to qualifying small-power producers is included in customer rates.

Congress enacted PURPA in response to a national energy crisis in the late 1970s with a goal to lessen the nation's dependence on foreign oil. "Unfortunately, PURPA does not address and FERC (Federal Energy Regulatory Commission) regulations do not adequately provide for consideration of whether the utility being forced to purchase QF power is actually in need of such energy," the commission said.

Idaho Power's 20-year Integrated Resource Plan does not indicate the utility is in need of more energy sources. "And yet, in less than four months time, 13 QFs have contracted with Idaho Power for nearly 400 MW of solar generation – all expected to be on-line and producing power by the end of 2016," the commission said.

The commission reiterated that the combined potential contractual obligation of \$1.4 billion for what could be 13 projects is passed on to ratepayers. While the projects will displace the fuel costs of Idaho Power's existing resources, "the capital costs of the displaced resources (such as baseload natural gas, coal and hydroelectric plants) will continue to be recovered through ratepayers' bills along with the costs of QF power." Because solar and wind generation is intermittent, other resources are sometimes needed to balance their variability as well as provide back-up generation.

The First Wind projects include American Falls Solar and American Falls Solar II in Power County, Murphy Flat Power in Owyhee County, Simco Solar in Elmore County and Orchard Ranch Solar in Ada County.

The developers will be paid a non-levelized avoided-cost rate over the 20-year term of the agreements, which means payments increase over the course of the agreement and vary according to light-load and heavy-load hours of the day and seasons of the year. The average levelized rate for the First Wind projects is about \$63 per megawatt-hour and the value of the five 20-year contracts ranges from \$60.2 million to \$68 million. (See attached chart.)

Included in each contract is an integration charge the developer pays Idaho Power to cover the cost of integrating the energy into Idaho Power's transmission and distribution system. The integration cost increases as the amount of solar generation on Idaho Power's system increases. For these contracts, the charge ranges from \$2.46 per MWh to \$5.05 per MWh.

The agreements allow for a 2 percent deviation in estimated energy output before the price can be adjusted. A consistent deviation from the hourly energy generation estimates would be considered a material breach of the agreements. Also included is a "90/110" firmness requirement. If a project's generation exceeds 110 percent of estimated output, the developer is paid 85 percent of a market-based price for the generation above 110 percent of forecasted output. If the developer does not produce at least 90 percent of forecasted generation, then all output is paid at 85 percent of the market price.

Revenue from the sales of Renewable Energy Certificates associated with the projects will be split 50-50 between the developer and Idaho Power.

The commission's final order, along with other documents related to these cases, is available on the commission's Website at www.puc.idaho.gov. Click on "Open Cases" under the "Electric" heading and scroll down to Case Nos. IPC-E-14-32 through IPC-14-36.

Interested parties may petition the commission for reconsideration by no later than Feb. 19, 2015. Petitions for reconsideration must set forth specifically why the petitioner contends that the order is unreasonable, unlawful or erroneous. Petitions should include a statement of the nature and quantity of evidence the petitioner will offer if reconsideration is granted.

Petitions can be delivered to the commission at 472 W. Washington St. in Boise, mailed to P.O. Box 83720, Boise, ID, 83720-0074, or faxed to 208-334-3762.

Project	Location	20-year levelized rate	20-year estimated contract value
Murphy Flat Power Case No. IPC-E-14-32	Owyhee County	\$64.15/MWh	\$67.3 million
Simco Solar Case No. IPC-E-14-33	Elmore County	\$64.31/MWh	\$68.1 million
American Falls Solar Case No. IPC-E-14-34	Power County	\$63.77/MWh	\$63.3 million
American Falls Solar II Case No. IPC-E-14-35	Power County	\$62.66/MWh	\$60.25 million
Orchard Ranch Solar Case No. IPC-E-14-36	Ada County	\$62.21/MWh	\$63.3 million